

FINANCIAL-COMPLIANCE AUDIT
Department of Military Affairs
For the Two Fiscal Years Ended June 30, 2014

OCTOBER 2014

14-25

REPORT SUMMARY

The Department of Military Affairs' operations are funded primarily by federal moneys. In fiscal year 2014, over \$54 million in federal funds were received and approximately \$9 million was spent towards construction of a new armory in Miles City.

Context

The Department of Military Affairs (department) is administered by the Adjutant General and his staff to provide for safety and well-being for citizens of Montana. This is accomplished through mission-ready forces for federal and state activations, emergency services as directed by the Governor, and services to Montana veterans. The department, through the Army and Air National Guard, manages a joint federal-state program to maintain trained and equipped military organizations available to the Governor, in the event of a state emergency, and the President, in the event of a national emergency. The department also manages and coordinates with state and federal agencies in providing services for veterans and their families and manages the state veterans' cemeteries. The department also administers programs such as the Montana National Guard Youth Challenge Program; the Montana Science, Technology, Academy, Reinforcing, Basic, Aviation and Space Exploration Program (STARBASE); the Montana Military Family Relief Fund; and the Montana Guard Scholarship Program.

Results

The department had three recommendations in the prior audit report of which two were implemented and one was not implemented.

The recommendation not implemented, related to expenditure accruals, is also a recommendation in this report. The current audit report also contains five other recommendations to the department.

During the audit we found the department is not in compliance with state laws, administrative rules, and policy. The state law is related to determining eligibility for and providing state reenlistment bonuses to National Guard members who meet the criteria outlined in law. We also found internal controls to be insufficient to detect and correct 29 misclassifications of expenses and for reimbursements made to 20 out of 23 subrecipients without evidence of a signed agreement. Furthermore, state accounting policy was not followed when Public Assistance Grants in the amount of \$6 million and \$3 million was recorded.

Recommendation Concurrence	
Concur	4
Partially Concur	1
Do Not Concur	1
Source: Agency audit response included in final report.	